PG&E's Reply Comments on NEM Cost-Effectiveness Evaluation Study Proposal

November 15, 2012

I. Introduction

PG&E appreciates this opportunity to provide brief reply comments on the scope of the NEM cost-effectiveness evaluation. These reply comments address: A) the analysis of standby charges; B) whether incremental billing costs should be included; C) the claim by Distributed Wind Energy Association (DWEA) that solar up to 2 MW can be on retail NEM but that wind can only go to 50 kW; D) DRA and SCE proposals for rate design sensitivity analyses, E) Joint Parties' arguments that the full renewable value of rooftop solar somehow accrues to non-participating customers, and F) Joint Parties' argument that the time-tested Resource Balance Year is somehow irrelevant when considering any potential generation capacity value associated with rooftop solar.

II. Discussion

A. Standby Charges.

The comments of the Joint Solar Parties[1] state that PG&E suggested at the workshop that E3 should perform a sensitivity analysis "in which standby charges are applied only to residential customers; PG&E observed that many commercial and industrial (C&I) rate schedules recover significant delivery-related costs through demand charges, mitigating the need for a separate standby charge for such customers." (Joint Solar Opening Comments p. 5). These comments are correct insofar as some PG&E rates (such as rate schedules E-19 and E-20) recover significant delivery related costs through demand charges. However, other C&I rate schedules such as A-1 and A-6, have no demand charges. PG&E did not suggest that standby charges should be overlooked in any analysis, whether for residential or C&I customers, and it does not support such a proposal.

PG&E recommends that in its base case, E3 should look at the revenue utilities would receive with and without distributed generation. This analysis would include standby revenue only to the extent customers are obligated to pay it. Since NEM customers are exempt by statute from paying standby, and since non-exporting solar customers up to 1 MW are exempt from paying such charges under D.01-07-027, p. 75, the base case analysis should include the cost shift reflecting lost utility revenue.

[1] The Joint Solar Parties are Solar Energy Industries Association, Vote Solar Initiative, Sierra Club, and California Solar Energy Industries Association.

E3 has indicated that it plans to include lost standby revenue in its "export only case." That makes sense, since the NEM statute expressly includes a standby waiver, and since that is part of the cost shift associated with NEM. However, E3 is considering including such a figure only for commercial and industrial customers. This does not make sense. The standby exemption is available to both residential and C&I customers.

Joint Solar Parties propose a "sensitivity case of zero standby charges for all customers." (Joint Solar Opening Comments p. 5). Given that non-NEM and non-solar customers with DG must pay such charges, it is not clear why such costs should be overlooked.

B. Incremental Billing Costs.

Joint Solar Parties and IREC propose excluding incremental billing costs in the analysis. Joint Solar Parties claim "the IOUs have installed smart meters and performed associated billing system upgrades at a cost of billions of dollars, partially on the premise that this would more readily enable the IOUs to integrate customer sited generation." (Joint Solar Opening Comments p. 7). The decisions of the CPUC approving both the Smart Meter and the Smart Meter Upgrade for PG&E do not contain anything authorizing a budget for NEM billing upgrades. In fact, the costs of billing NEM customers are far higher than the costs of billing other customers. These costs are not borne by NEM customers and are instead shifted to other customers. Accordingly, those incremental billing costs should be included in the analysis.

C. NEM Size Limits For Solar and Wind.

DWEA erroneously states that NEM "is available for solar up to 2 MW, but for wind only to 50 kW." (DWEA Opening Comments page 1) Both are incorrect. Under section Public Utilities Code section 2827, full retail net metering is available to all renewable projects up to 1 MW in size. After that statute was amended extending NEM to all renewable projects, PG&E filed to amend its NEM tariff to include all such renewable projects, including wind, up to that 1 MW limit. The CPUC has approved that tariff change. Even though the wind co-metering statute was not deleted when retail NEM was expanded to all renewable energy, PG&E no longer has the NEMW tariff and all wind installations up to 1 MW are currently on NEM.

D. Rate Design Sensitivity Analyses.

The Division of Ratepayer Advocates (DRA) and SCE both propose performing rate design options as sensitivity. DRA suggests that such consideration be included during Phase 2 of the NEM Cap study, in coordination with the Rate Design Rulemaking. (DRA Opening Comments p. 9). SCE proposes the inclusion of "specific rate structures as part of the sensitivity tests." (SCE Opening Comments p. 3, item 4). PG&E agrees that having this analysis available to the Commission will be very useful in looking at possible alternatives that could reduce the cost shift associated with NEM systems. To the extent rates for all customers change to include

customer charges or demand charges, that can help reduce the cost shift associated with on-site generation and NEM.

E. Renewable Value

Joint Parties argue that E3 should conduct a sensitivity analysis that values the generation from rooftop systems at 100% of the renewable premium. However, since PG&E on behalf of its customers is not able to count the output of a rooftop projects as part of its power mix, there is no credence to Joint Parties' proposal and no justification for E3 to run a sensitivity analysis

F. Resource Balance Year

Joint Parties argue that E3 should ignore the fact that the requirement for new generation capacity is several years away. As PG&E noted in its Opening Comments, the RBY should actually be later than E3 estimates, since expected reductions to load associated with energy efficiency should be included in the analysis. However, under no circumstance should the RBY be assumed to be the current year, since doing so would artificially ascribe deferral value to rooftop solar that just doesn't exist, assuming that rooftop solar reliably produces power during the same hours that new generation capacity is required.

III. Conclusion

PG&E thanks the CPUC and E3 for this opportunity to offer these reply comments. PG&E is happy to work with the Energy Division and E3 to appropriately incorporate its suggestions. Feel free to contact Susan Buller at 415-973-3710 if you have any questions.

Sincerely,

Susan Buller